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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20540



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BIB 8/31 \*

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Annual Audited Report  
Form X-17A-5  
Part III

Issued by \_\_\_\_\_ and Dealers  
Pursuant to Section 17 of the Securities  
Exchange Act of 1934 and Rule 17a-5 Thereunder

Sec File No.

8 - 32129

REPORT FOR THE PERIOD BEGINNING 07/01/05 AND ENDING

MM/DD/YY

6/30/06  
M/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Official Use Only

Roth Capital Partners, LLC

Firm ID No.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

24 Corporate Plaza, Suite 200

(No. and Street)

Newport Beach,

(City)

California

(State)

92660

(Zip Code)

PROCESSED

SEP 21 2006

THOMSON  
FINANCIAL

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gordon J. Roth

949-720-5774

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche LLP

(Name -- if individual, state last, first, middle name)

695 Town Center Drive

(Address)

Costa Mesa,

City

California

State

92626-4488

Zip Code

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

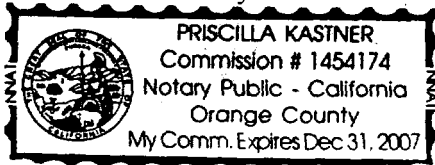
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\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

9/20

OATH OR AFFIRMATION

I, Gordon J. Roth, Chief Financial Officer, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedule pertaining to Roth Capital Partners, LLC (the "Company") as of June 30, 2006 and for the year then ended are true and correct. I further affirm that neither the Company nor any member, officer or director has any proprietary interest in any account classified solely as that of a customer.



*Priscilla Kastner*  
Notary Public

*Gordon J. Roth*  
Signature  
*CFD*  
Title

This report contains (check all applicable boxes):

- (x) Independent Auditors' Report.
- (x) (a) Facing Page.
- (x) (b) Consolidated Statement of Financial Condition.
- (x) (c) Consolidated Statement of Income.
- (x) (d) Consolidated Statement of Cash Flows.
- (x) (e) Consolidated Statement of Changes in Member's Capital.
- (x) (f) Statement of Changes in Liabilities Subordinated to the Claims of General Creditors.
- (x) Notes to Financial Statements.
- (x) (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ( ) (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (Not Applicable)
- ( ) (i) Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (Not Applicable)
- ( ) (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Rule 15c3-3. (Not Applicable)
- ( ) (k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of Consolidation. (Not Applicable)
- (x) (l) An Oath or Affirmation.
- ( ) (m) A Copy of the SIPC Supplemental Report. (Not Required)
- (x) (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit. (Supplemental Report on Internal Control)

ROTH CAPITAL PARTNERS, LLC  
(SEC I.D. No. 8-32129)

CONSOLIDATED FINANCIAL CONDITION  
AS OF JUNE 30, 2006,  
INDEPENDENT AUDITORS' REPORT,  
AND  
SUPPLEMENTAL REPORT ON  
INTERNAL CONTROL

\* \* \* \* \*

Filed pursuant to Rule 17a-5(e)(3) as a **PUBLIC DOCUMENT**

# ROTH CAPITAL PARTNERS, LLC

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## INDEPENDENT AUDITORS' REPORT

Roth Capital Partners, LLC:

We have audited the accompanying consolidated statement of financial condition of Roth Capital Partners, LLC and subsidiaries (the "Company") as of June 30, 2006, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Roth Capital Partners, LLC and subsidiaries as of June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

August 25, 2006

# ROTH CAPITAL PARTNERS, LLC

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF JUNE 30, 2006

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### ASSETS

CASH AND CASH EQUIVALENTS	\$ 8,388,761
RESTRICTED CASH	2,005,530
RECEIVABLE FROM CLEARING BROKERS	4,925,742
TRADE RECEIVABLES, Net of allowance of \$8,000	5,153,842
SECURITIES OWNED:	
Marketable, at market value (including \$955,859 securing payables to employees)	5,712,216
Not readily marketable, at estimated fair value (including \$8,254,837 securing payables to employees and minority interests)	15,797,764
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, At cost, less accumulated depreciation and amortization of \$4,074,817	931,960
NOTES RECEIVABLE	221,281
OTHER ASSETS	<u>854,725</u>
TOTAL	<u>\$ 43,991,821</u>

### LIABILITIES AND MEMBERS' EQUITY

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 2,863,191
SALARIES, COMMISSIONS, AND BONUSES PAYABLE	5,243,067
PAYABLES TO EMPLOYEES FOR SECURITIES OWNED	4,749,373
SECURITIES SOLD BUT NOT YET PURCHASED—At market value	<u>2,612,531</u>
Total liabilities	<u>15,468,162</u>
MINORITY INTERESTS	<u>5,089,745</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 6)	
MEMBERS' EQUITY	<u>23,433,914</u>
TOTAL	<u>\$ 43,991,821</u>

See accompanying notes to consolidated statement of financial condition.

# ROTH CAPITAL PARTNERS, LLC

## NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF JUNE 30, 2006

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Roth Capital Partners, LLC (the “Company”), a California limited liability company, was formed on February 2, 2001. The Company is a registered broker/dealer, and all securities transactions for the accounts of the Company and its customers are cleared by another broker/dealer on a fully disclosed basis.

The accompanying consolidated financial statement includes the accounts of several limited liability companies (“LLC”) which the Company utilizes to invest, with other outside investors, in various hedge funds and private equity funds. The Company has between 10% and 100% ownership and significant control of the various LLCs as of June 30, 2006. All intercompany transactions and balances have been eliminated in consolidation. The Company records investors’ share of LLCs in minority interests in the accompanying consolidated statement of financial condition.

Also, included in the Company’s accompanying consolidated financial statement are the results of a wholly owned affiliate, BTG Investments LLC (“BTG”) which is solely engaged in principal investment activities. The Company has adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. (“FIN”) 46R, *Consolidation of Variable Interest Entities*, which requires the Company to consolidate certain variable interest entities for which it is the primary beneficiary. Cortina Asset management, LLC (“Cortina”) is engaged in investment advisory services for managed accounts. The company provided 100% of Cortina’s initial capital for a 20% ownership interest in Cortina. The Company has a preferential distribution right up to its initial investment of \$2,500,000 as well as an exposure to losses in excess of its pro-rata shares in Cortina’s losses. The Company was determined to be the primary beneficiary and Cortina was consolidated into the consolidated financial statements of the Company. However, Cortina is not included in the Company’s computation of net capital. As of June 30, 2006, the total assets of Cortina, which the Company has consolidated because it is the primary beneficiary were \$3,112,841. The Company has not guaranteed the performance, liquidity or obligations of Cortina, and the Company’s maximum exposure to loss is equal to the value of its capital account.

**Basis of Presentation**—The consolidated financial statement of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Actual results could differ from those estimates.

**Securities Transactions**—Securities transactions and the related revenues and expenses are recorded on a trade-date basis.

**Cash and Cash Equivalents**—Cash and cash equivalents consist of cash balances maintained at banks and \$6,446,043 in money market accounts, with a weighted-average yield of approximately 4.6% and \$1,047,044 in a three-month certificate of deposit maturing July 18, 2006, yielding 4.00% as of June 30, 2006. Restricted cash represents cash balances maintained at a bank for Cortina, and is not subject to use by the Company.

**Securities Owned and Securities Sold but Not Yet Purchased**—Marketable securities owned and securities sold but not yet purchased are comprised primarily of common stock and are valued at current market prices. Securities not readily marketable consist of partnership interests, notes and common stock of private companies, and warrants that are exchangeable into investment securities that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933 or cannot be currently sold because of other arrangements, restrictions, or conditions applicable to the securities. For the warrants, to the extent the underlying stock value exceeds the exercise price of the warrants, the warrants are valued as the difference of the underlying stock price and exercise price, which is then discounted for the period of time the warrants are not exercisable or for the restrictive nature of the underlying common stock. Other securities not readily marketable are valued at fair value by management based on their intimate knowledge of the market and the security. Because of the inherent uncertainty of the valuations, those estimated market values may differ from values that would have been used had a ready market for the securities existed, and the difference could be material.

The Company invests in securities sold but not yet purchased to reduce the Company's exposure to market risk and to enhance the Company's investment opportunities.

**Long-Lived Assets**—As required by Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

**Fair Value of Financial Instruments**—Substantially all of the Company's financial instruments are carried at fair value. Receivables and payables are carried at cost or cost plus accrued interest, which approximates fair value.

**Recently Issued Accounting Pronouncements**—In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*, which is an amendment of Accounting Principles Board ("APB") Opinion No. 29, *Accounting for Nonmonetary Transactions*, ("APB No. 29"). This statement addresses the measurement of exchanges of nonmonetary assets, and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets as defined in Paragraph 21(b) of APB No. 29, and replaces it with an exception for exchanges that do not have commercial substance. This statement specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position.

In May 2005, the FASB issued SFAS No. 154, *Accounting for Changes and Error Corrections*, ("SFAS No. 154"), which is a replacement of APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. This statement changes the requirements for the accounting for and reporting of all voluntary changes in accounting principle and in the instance that a pronouncement does not include specific transition provisions. This statement



requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS No. 154 to have a material impact on the Company's financial position.

In June 2005, the FASB issued Emerging Issues Task Force Issue ("EITF") No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. EITF No. 04-05 clarifies how general partners in a limited partnership should determine whether they control a limited partnership. A general partner of a limited partnership is presumed to control the limited partnership unless the limited partners have substantive kick-out rights or participating rights. For general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified, EITF No. 04-05 is effective after June 29, 2005. For general partners in all other limited partnerships, EITF No. 04-05 is effective for the first period in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of EITF Issue No. 04-05 to have a material impact on the Company's financial position.

## 2. SECURITIES OWNED

Marketable securities owned, held as of June 30, 2006, consist of unencumbered equity securities totaling \$4,756,357 and equity securities held as collateral for employee payables totaling \$955,859. Not readily marketable securities consist of the following investments, at estimated fair value:

	Collateral for Employee Payables and Minority Interests	Unencumbered	Total
Warrants in publicly-traded companies	\$2,305,218	\$2,535,931	\$ 4,841,149
Privately-held equity investments	4,683,424	3,590,947	8,274,371
Restricted publicly-traded equities	1,111,195	1,261,048	2,372,243
Convertible note of a publicly-traded entity	<u>155,000</u>	<u>155,000</u>	<u>310,000</u>
Total not readily marketable securities	<u>\$8,254,837</u>	<u>\$7,542,926</u>	<u>\$15,797,763</u>

In July 2006, the Company, through one of its wholly owned subsidiaries, funded two equity interests in two private companies totaling \$1,200,000 of which \$600,000 is unencumbered.

## 3. TRADE AND NOTES RECEIVABLE—NET

Trade receivables primarily consist of investment banking-related transactions which are generally due within the next 12 months. Included in trade receivables are earned management fees (billed and unbilled) from Cortina totaling \$946,062. Notes receivable consist of a \$75,000 unsecured advances to employees, \$100,000 to a related party and an unsecured note totaling \$46,281. The interest rate on

the notes receivable have interest rates ranging from 5% to 8%, per annum, as of June 30, 2006, and are due at various times. The following is a rollforward of the allowance for doubtful accounts for the year ended June 30, 2006:

	Trade Receivable Allowance
Beginning balance—July 1, 2005	\$ 163,000
Provision for doubtful accounts	408,368
Collections on previous	50,000
Write-offs	<u>(613,368)</u>
Ending balance—June 30, 2006	<u>\$ 8,000</u>

#### 4. INCOME TAXES

As a limited liability company, the Company is generally not subject to federal or state income taxes. The members are required to report their proportionate share of income on their individual tax returns.

#### 5. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) employee savings plan that covers all full-time employees who are at least age 21 with six months or more of continuous service. The Company may match employee contributions at its sole discretion. Subsequent to June 30, 2006, the Company paid contributions of \$404,897 for the benefit plan year ended June 30, 2006 which were accrued as of June 30, 2006.

#### 6. COMMITMENTS AND CONTINGENT LIABILITIES

***Securities Sold but Not Yet Purchased***—In the normal course of business, the Company sells equity securities not yet purchased, which are recorded as liabilities in the consolidated statement of financial condition. The Company is exposed to the risk that market price increases cause the ultimate obligation for such commitments to exceed the amount recorded in the consolidated statement of financial condition.

***Settlement of Securities Transactions***—The Company is obligated to settle transactions with brokers and other financial institutions even if its customers fail to meet their obligations to the Company. Customers are required to complete their transactions on settlement date, generally three business days after trade date. If customers do not fulfill their contractual obligations, the Company may incur losses. The Company has established procedures to reduce this risk by requiring deposits from customers for certain types of trades.

***Underwriting Transactions***—In the normal course of business, the Company enters into various underwriting commitments. In the opinion of management, the settlement of transactions relating to such commitments will have no material impact on the Company's consolidated financial condition.

***Litigation***—The Company is named as a defendant in various lawsuits in its normal course of business, including class action lawsuits, related to customer transactions. These lawsuits allege violations of federal and state securities laws and, in the aggregate, claim substantial damages. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various lawsuits will not result in a material adverse effect on the Company's consolidated financial position.

**Leases**—The Company leases office facilities, furniture, and equipment under noncancelable operating leases having terms through 2012. Aggregate minimum commitments under these leases are as follows:

Years Ending June 30	Company	Cortina	Consolidated
2007	\$1,669,310	\$ 74,480	\$1,743,790
2008	1,495,423		1,495,423
2009	1,543,795		1,543,795
2010	1,592,167		1,592,167
2011	1,640,539		1,640,539
Thereafter	<u>973,441</u>	<u>          </u>	<u>973,441</u>
	<u>\$8,914,675</u>	<u>\$ 74,480</u>	<u>\$8,989,155</u>

Aggregate minimum commitments have not been reduced by minimum sublease rentals.

**Limited Partnership Investments**—The Company has capital commitments in limited partnerships held in securities owned, not readily marketable, that have not been called as of June 30, 2006, totaling \$322,888, net of minority interests' capital commitments of \$272,712.

## 7. DERIVATIVE INSTRUMENTS

In the normal course of business, the Company acquires the warrants in connection with its investment banking services for private and public companies and holds them for long-term investment purposes. These warrants represent the rights to buy the underlying equity securities at specified prices and future dates. The Company's exposure to credit risk associated with counterparty nonperformance on the warrants, which are not exchange traded, is typically limited to the unrealized gains reported as assets associated with such contracts. The Company carries the investments at estimated fair value.

## 8. CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading and brokerage activities. Counterparties to these activities primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

## 9. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital. At June 30, 2006, the Company has net capital of \$6,874,085 computed under the alternative method, which is \$6,327,835 in excess of its required net capital. For purposes of the computation of net capital, the accounts of BTG have been included in the computation of net capital by the Company; however, the accounts of Cortina have been excluded from the computation of net capital.

#### 10. RESERVE REQUIREMENTS FOR BROKERS OR DEALERS

The Company is exempt from the provisions of Rule 15c3-3 (pursuant to Paragraph (k)(2)(ii) of such rule) of the Securities Exchange Act of 1934 as an introducing broker or dealer that carries no customers' accounts, promptly transmits all customer funds, and delivers all customer securities received to the clearing broker and does not otherwise hold funds or securities of customers or dealers. Because of such exemption, the Company is not required to prepare a determination of reserve requirement for brokers or dealers.

\* \* \* \* \*

**SUPPLEMENTAL REPORT ON INTERNAL CONTROL**

August 25, 2006

Roth Capital Partners, LLC  
24 Corporate Plaza  
Newport Beach, CA 92660

Dear Sirs/Madams:

In planning and performing our audit of the consolidated financial statements of Roth Capital Partners, LLC (the "Company") for the year ended June 30, 2006 (on which we issued our report dated August 25, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Security and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are: (1) to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions, or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation (including control activities for safeguarding securities) that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2006, to meet the Commission's objectives.

This report is intended solely for the information and use of the members, management, the Securities and Exchange Commission, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*